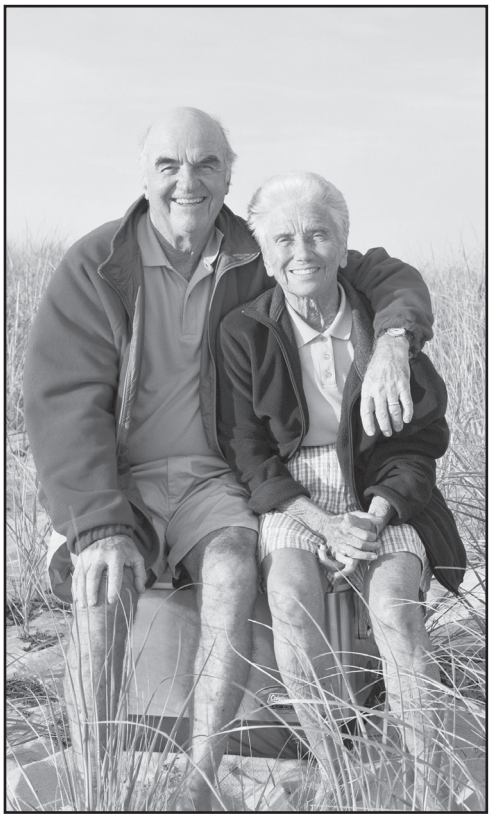
Section K
CHAND and COBRA



CHAND

History

The Comprehensive Health Association of North Dakota (CHAND) was created by the North Dakota Legislative Assembly in 1981 to provide comprehensive health insurance to residents of the state who had been denied health insurance or had been given restricted coverage because they had health problems and were considered to be in a high risk category. The CHAND program is administered by Blue Cross Blue Shield of North Dakota. North Dakota is one of 29 states with risk pools available and was one of the first three in the country. Enrollment has grown from 78 contracts in 1982 to 1,512 in 2008.

Coverage options

The program offers six coverage options: $500 and $1,000 deductibles with or without chiropractic endorsement and Medicare F supplement for over age 65 and under age 65 disabled. Only single policies are available and the lifetime maximum benefit a member can receive is $1,000,000.00, which is consistent with other risk plans. There is a coordination of benefit provision that makes CHAND secondary to all other third-party payors.

Board

The Board structure consists of one representative from each of the three largest premium volume accident and health companies, the Insurance Commissioner, the State Health Officer, the Director of the Office of Management and Budget, one senator and one representative.

Funding

The original legislation created a self-supporting pool through premium dollars; however, due to high claims costs, the original legislation was amended in 1983 to limit the cost of CHAND coverage to 135% of the average premium charged for standard coverage. All accident and health insurance companies who do a minimum of $100,000 of premium volume annually in North Dakota are required by law to participate in CHAND and contribute to its funding through an assessment that is based on their volume. The State of North Dakota subsidizes CHAND through premium tax credits equal to each company's assessment.

CHAND has also implemented several cost containment mechanisms, such as pre-admission authorization, a prenatal program, and a concurrent review case management program to assist in controlling costs. Blue Cross Blue Shield of North Dakota is the current Lead Carrier for CHAND, providing administration of the day-to-day business of the pool.

Waiting periods

During the first 180 consecutive days of your CHAND coverage, benefits will not be provided for services, supplies or charges for the care or treatment of any pre-existing condition that was diagnosed or treated during the 180 days immediately preceding the signature date of the application. During the first 270 days of your coverage, benefits will not be provided for maternity services. However, if you qualify for coverage due to a catastrophic condition or major illness and are pregnant at the time of application, you will be eligible for maternity benefits following a waiting period of 180 days of continuous coverage.

Coverage will terminate if:

- The individual becomes eligible for health benefits under the state of North Dakota's medical assistance program.
- CHAND has paid one million dollars on behalf of the individual.
- The individual becomes an inmate or a resident of a public institution.
- The individual's health insurance premium is paid for or reimbursed under any government sponsored

program, government agency, health care provider, nonprofit charitable organization or employer.
• The individual has requested termination of coverage.
• The individual has failed to pay the required premium within the 31-day grace period.
• The individual has physically resided outside the state for more than 182 days of each calendar year unless the individual has been absent from the state for a verifiable medical reason as determined by the Board.
• The individual fails to respond to an inquiry from the lead carrier concerning his/her eligibility or place of residence within 30 days.

Note: If an individual's coverage is cancelled, he/she may enroll again only after a minimum of 12 months has lapsed since termination.

The toll-fee number for CHAND is 1-800-737-0016.

CHAND supplements

CHAND supplements are available for those that have denied a traditional Medicare supplement for individuals age 65 and older or with disabilities who are eligible for Medicare. To be eligible for coverage, a beneficiary must meet the following criteria:

1. I am at least 65 years old or disabled and eligible for Medicare.
2. I am a resident of North Dakota for at least 183 days prior to this application.
3 a. I am a) the resident dependent of an individual who is eligible for CHAND coverage or b) the resident spouse of an individual who is eligible for CHAND coverage with a pre-existing maternity condition.

OR

3 b. I have included written evidence from at least one insurer that within 180 days prior to the signature date of application, I have been:
- Rejected or refused by an insurer to issue substantially similar insurance for health reasons;
- Offered coverage with a restrictive rider or a pre-existing condition limitation placed on my policy, the effect of which is to reduce substantially coverage from that received by an individual considered a standard risk; or
- Offered comparable insurance at a rate exceeding the CHAND rate

OR

3 c. I have included written evidence from a medical professional of the existence or history of any of the following:
4. I am not enrolled in health benefits with the state of North Dakota's Medical Assistance Program (Medicaid).
5. I am not imprisoned under federal, state or local authority.
6. My health insurance premiums are not paid for or reimbursed under any government-sponsored program, government agency, health care provider, nonprofit charitable organization or my employer.
7. I have not been insured through CHAND during the last 12 months.

CHAND has two levels of coverage, basic and standard (standard is similar to a type F supplement).

Visit www.chand.org/pdf/20000281.pdf for an application and additional information or call **1-800-737-0016.**

COBRA

What is COBRA continuation health coverage?

Congress passed the landmark Consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions in 1986. The law amends the Employee Retirement Income Security Act, the Internal Revenue Code and the Public Health Service Act to provide continuation of group health coverage that otherwise might be terminated.

What does COBRA do?

COBRA provides certain former employees, retirees, spouses, former spouses and dependent children the right to temporary continuation of health coverage at group rates. This coverage, however, is only available when coverage is lost due to certain specific events. Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since usually the employer pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves. It is ordinarily less expensive, though, than individual health coverage.

How does a person become eligible for COBRA continuation coverage?

To be eligible for COBRA coverage, you must have been enrolled in your employer's health plan when you worked and the health plan must continue to be in effect for active employees. COBRA continuation coverage is available upon the occurrence of a qualifying event that would, except for the COBRA continuation coverage, cause an individual to lose his or her health care coverage.

Can individuals qualify for longer periods of COBRA continuation coverage?

Yes, disability can extend the 18-month period of continuation coverage for a qualifying event that is a termination of employment or reduction of hours. To qualify for additional months of COBRA continuation coverage, the qualified beneficiary must:

- Have a ruling from the Social Security Administration that he or she became disabled within the first 60 days of COBRA continuation coverage.
- Send the plan a copy of the Social Security ruling letter within 60 days of receipt, but prior to expiration of the 18-month period of coverage.

If these requirements are met, the entire family qualifies for an additional 11 months of COBRA continuation coverage. Plans can charge 150 percent of the premium cost for the extended period of coverage.

Under COBRA, what benefits must be covered?

Qualified beneficiaries must be offered coverage identical to that available to similarly situated beneficiaries who are not receiving COBRA coverage under the plan (generally, the same coverage that the qualified beneficiary had immediately before qualifying for continuation coverage). A change in the benefits under the plan for the active employees will also apply to qualified beneficiaries.

When does COBRA coverage begin?

COBRA coverage begins on the date that health care coverage would otherwise have been lost by reason of a qualifying event.

How long does COBRA coverage last?

COBRA establishes required periods of coverage for continuation health benefits. A plan, however, may provide longer periods of coverage beyond those required by COBRA. COBRA beneficiaries generally are eligible for group coverage during a maximum of 18 months for qualifying events due to employment termination or reduction of hours of work. Certain qualifying events, or a second qualifying event during the initial period of coverage, may permit a beneficiary to receive a maximum of 36 months of coverage.

Coverage begins on the date that coverage would otherwise have been lost by reason of a qualifying event and will end at the end of the maximum period. It may end earlier if:

1. Premiums are not paid on a timely basis.

2. The employer ceases to maintain any group health plan.

3. After the COBRA election, coverage is obtained with another employer group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition of such beneficiary. However, if other group health coverage is obtained prior to the COBRA election, COBRA coverage may not be discontinued, even if the other coverage continues after the COBRA election.

4. After the COBRA election, a beneficiary becomes entitled to Medicare benefits. However, if Medicare is obtained prior to COBRA election, COBRA coverage may not be discontinued, even if the other coverage continues after the COBRA election.

Although COBRA specifies certain periods of time that continued health coverage must be offered to qualified beneficiaries, COBRA does not prohibit plans from offering continuation health coverage that goes beyond the COBRA periods.

Some plans allow participants and beneficiaries to convert group health coverage to an individual policy. The option must be given to enroll in a conversion health plan within 180 days before COBRA coverage ends.

Who pays for COBRA coverage?

Beneficiaries may be required to pay for COBRA coverage. The premium cannot exceed 102 percent of the cost to the plan for similarly situated individuals who have not incurred a qualifying event, including both the portion paid by employees and any portion paid by the employer before the qualifying event, plus 2 percent for administrative costs.

How do I find out about COBRA coverage and how do I elect to take it?

Employers or health plan administrators must provide an initial general notice if you are entitled to COBRA benefits. You probably received the initial notice about COBRA coverage when you were hired.

When you are no longer eligible for health coverage, your employer has to provide you with a specific notice regarding your rights to COBRA continuation benefits.

Employers must notify their plan administrators within 30 days after an employee's termination or after a reduction in hours that causes an employee to lose health benefits.

The plan administrator must provide notice to individual employees of their right to elect COBRA coverage

within 14 days after the administrator has received notice from the employer.

Applying for CHAND or COBRA coverage

A person who has been refused insurance coverage or has been told a significant health condition will be excluded from coverage may be eligible for CHAND. Contact any licensed health insurance agent for additional information. Only licensed agents may take an application. Any company denying or restricting coverage is required to inform the applicant about CHAND, the requirements for acceptance, and the procedure for applying.

Review exercise

1. CHAND was created by the _____ in the year _____.

2. The purpose of CHAND is to provide:

3. CHAND is administered by:

4. CHAND supplements are for individuals who:

5. What does COBRA do?

6. What benefits are covered under COBRA?

7. Who pays for COBRA?